The Good Guidance Guide: taking the uncertainty out of regulation
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In the 2008 Enterprise Strategy, the Government asked me to lead an independent review of the best way to deliver its regulatory guidance. I am very fortunate that more than 90 extremely busy business owners and representatives from the voluntary sector, together with trade associations, government departments, agencies and regulators, gave up their valuable time to help me with this task. A lot of these business owners hoped I was going to wave a wand and simply remove the regulations they found most onerous. However, I had neither the magic wand, nor the remit!

After listening to this wide range of organisations I have made a number of recommendations for improving government guidance. The evidence from all sides suggests that, despite the plentiful availability of government guidance, small and medium size enterprises (SMEs) are deterred from using it for a number of very good, simple reasons.

The businesses I consulted spoke very honestly about the issues they face. They covered a wide range of topics but, in essence, their thoughts could be distilled into these simple concerns: poor accessibility; lack of clarity; inconsistency and real uncertainty as to whether following guidance would actually keep them out of trouble. This leads to confusion, resentment and often unnecessary cost for the businesses, as well as poor outcomes for employees and the Government, arising from non-compliance.

These concerns just make running a business harder, and even more risky in these difficult economic conditions, but clearly, they are unacceptable at any time.
Although I have made a number of specific recommendations to address these issues, I also believe there is more to do to make a reality of the Hampton Review vision of a fundamental culture change by government, from one of inspection and punishment to one of advice and guidance.

I have sought to ensure that this report is written in keeping with my Review’s findings. I believe it is accessible, clear and consistent, and that the recommendations are straightforward enough to be understood with certainty.

It is in everyone’s interest for businesses to comply with their regulatory obligations: if we get this right, and my recommendations are taken forward, it should save businesses time, generate employment, increase innovation and potentially improve gross domestic product (GDP) even without a magic wand.

Acknowledgements

The sheer number of government departments, Agencies and Regulators covered by this Review has made consultation interesting and challenging. I am extremely grateful to all those that took the time to meet me. I am also very appreciative of the time given to me by numerous SMEs as well as trade associations, the TUC and other busy individuals.

Of course, this report is only possible as a result of the extremely hard work carried out by the team from Better Regulation Executive. I would particularly like to thank Jennifer Smookler who has had to tread a diplomatic line between dealing with me, other Government officials and Ministers. I am aware that frequently she has had to calm ruffled feathers after I have left 1 Victoria Street – the thought of being stuck between a rock and a hard place comes to mind! Her team have contributed hugely, and I would like to thank Richard Ward, Matt Barnes, Mike Noakes, Jacinda Ardern and Simon Payne for also managing to cope with my demands and my sense of humour!

Sarah Anderson CBE
Executive Summary: 
A ‘quick-start’ guide

The Government produces guidance to help businesses understand what they must do to comply with the law. However, many small and medium sized enterprises (SMEs) either do not use government guidance or do not feel confident about relying upon it. In March 2008, the Government asked me to “make recommendations on ways of ensuring firms can place greater reliance on official guidance and thereby reduce the cost of compliance”. ¹

I commissioned research about SMEs’ views of government guidance from over 750 businesses and the issue was discussed face to face with over 90 SMEs from all sectors, sizes and ages, including voluntary sector organisations. These ranged from 0-250 employees and from one year of trading to over 20 years and were located across the UK. I also sought views from regulators, business organisations, trade unions, government departments, the judiciary and other individuals.

The way that government guidance is currently produced and disseminated leaves SMEs with a great deal of uncertainty, deterring them from using it and creating additional costs for their businesses. Many businesses are unclear about whether following guidance means they have complied with the law. They do not always know where to get the right help. Firms are put off by the amount of information included in guidance and receive conflicting messages from different parts of the Government.

The cost of this uncertainty is high. Around one third of SMEs do not use advice at all and simply do their best, while others spend upwards of £1.4 billion on paid advice. For those that do not get it right, they face the additional cost – together with the Government, individual citizens and society as a whole – of their non-compliance. Improving guidance and increasing compliance could reduce businesses costs by up to £841 million a year and save £40 million in reduced employment tribunal costs.

¹ http://www.hm-treasury.gov.uk/media/E/3/bud08_enterprise_524.pdf, p7
I therefore recommend that the Government improve certainty in government guidance in the following ways:

- Increasing certainty over outcome, by providing access for SMEs to a tailored, insured advice helpline and taking responsibility for the quality of its guidance.

- Making guidance more accessible, by expanding the content of Business Open Advice Days and reviewing the brand of its single guidance website.

- Making guidance clearer, by introducing ‘quick-start’ guides and moving to ensure that all guidance complies with the Code of Practice on Guidance.

- Achieving consistent guidance across government.

- Culture change and increasing communication of improvements.

If implemented, the following recommendations will make a tangible difference to SMEs on the ground, providing information about their requirements under the law that is easy to access and to understand, coupled with an incentive to seek and follow guidance. By helping these businesses to help themselves, the Government can simultaneously achieve its aspirations to improve compliance and reduce the burden to businesses in an economic climate when it is most needed.
Increasing certainty over outcome

1. The Government must make clear to SMEs that it takes responsibility for its current guidance through the following actions:

   (a) not including disclaimers of responsibility, but including positive statements about what users can expect from guidance;

   (b) where a government enforcement body has discretion over what enforcement action can be taken, they will not prosecute or impose a punitive sanction if SMEs have reasonably followed their advice. Redress should be made available where appropriate. (para 2.8)

   The Government should ensure that it updates its guidance to reflect the current legal position. The Government should ensure that changes to regulations are provided to relevant organisations.

   The Government should publish how it will take forward these recommendations by April 2009. (para 2.13)

2. The Government should provide access for SMEs to a tailored, insured advice helpline on employment and health and safety regulations and provide free access for one year from the point of first contact.

   The Government should publish how it will take forward this recommendation by April 2009, with a view to having a helpline in place as soon as possible and by October 2009. (para 2.27)

3. The Government should raise the profile of statutory codes that are of most use to SMEs. They should ensure that judges receive judicial training to state where statutory codes have been taken into account in their judgements.

   For instance, the Government should ensure that judges in employment tribunals receive judicial training to state how an employer’s adherence to the Acas Code of Practice on disciplinary and grievance procedures is taken into account. If the training does not prove effective, the Government should include this requirement in the Employment Tribunal Rules of Procedure. The Government should measure progress by October 2009. (para 2.32)
### Making guidance more accessible

4. Government must review, as a matter of urgency, the branding of their single guidance website to ensure that it does not deter users e.g. “business.gov.uk.” (para 3.15)

5. HMRC should expand its work with other government departments and regulatory bodies to enable Business Advice Open Days to provide face-to-face advisory sessions on a range of other essential regulatory issues affecting SMEs, in particular employment and health and safety law. (para 3.18)

### Providing clarity in guidance

6. All guidance should be accompanied by a ‘quick-start’ summary version, which states the type of business to which it applies and the essential actions they must take to comply with the regulation. (para 4.8)

7. Every piece of guidance should state whether it has complied with the Code of Practice on Guidance. By June 2009, all government departments, regulators and agencies should publish a list of all the guidance they currently produce, stating a date by when they intend to update each piece so that it complies with the Code of Practice on Guidance. (para 4.13)

8. When businesses take on their first employee Acas should provide to them, via HMRC, ‘money-off’ discount vouchers for training in essential employment regulations. This should help businesses to comply with the law from day one. (para 4.16)

### Achieving consistent guidance across government

9. Businesses should be able easily to report inconsistent or inaccurate guidance to a central place. The Government should acknowledge receipt within one week and resolve these issues within 90 days. During the period that the Government is resolving the conflict in guidance, enforcers should exercise discretion to ensure that the business does not face unfair prosecution or punitive sanction. (para 5.3)

10. Professional bodies, local authorities and regulators should examine how to broaden the skills of inspectors so that they can better provide advice and guidance that is based on the experiences and needs of business sectors. A sector-based approach to advice from inspectors would help to reduce the burden on business of seeking information about, and complying with, the array of regulatory requirements across their business. (para 5.10)
11. Departments and regulators must promote a culture of regulatory compliance through their provision of sector-specific advice.

Government departments and regulators that deal with businesses and the voluntary sector must set or prioritise public targets to ‘increase customer satisfaction’, against which they will be measured. Local authorities should positively consider adopting the national indicator of “satisfaction of business with local authority regulatory services” to further encourage, or enhance recognition of improvements to the regulatory guidance they provide to businesses. (para 6.4)

12. The Government must allocate sufficient funds to ensure that businesses are aware of the improvements it makes to the way it delivers its guidance. (para 6.8)

The Government should publish a progress report, to be assessed by an independent person, measuring the progress of all recommendations after one year of the publication of this Review.
Chapter 1: Introduction

1.1 The Government produces an array of guidance to help businesses understand what they must do to comply with the law. Few businesses will read the complex language of a piece of legislation, so guidance is often the most logical route to compliance for most businesses. However, many small and medium sized enterprises (SMEs) either do not use government guidance or do not feel confident about relying upon it.

1.2 SMEs – using the definition of businesses with fewer than 250 employees – account for the vast majority of all firms in the UK and around 60 per cent of overall private sector employment. An estimated 4.7 million SMEs represent 99.9 per cent of all private sector enterprises. Around 1.3 million of them employ about 10.5 million people. They have a particular need for easily understood guidance, given their more limited resources compared to larger organisations. It is crucial to get guidance right for SMEs to reduce their burdens, enhance delivery of the intended outcome of the regulation and minimise the repercussions of them getting it wrong. Minimising these uncertainties can also reduce the cost to businesses of finding out what they need to do to comply with the law.

1.3 In March 2008, therefore, the Government commissioned me to lead an independent Review to “make recommendations on ways of ensuring firms can place greater reliance on official guidance and thereby reduce the cost of compliance.”

1.4 For the purposes of the Review, I have defined ‘governrnent guidance’ as information provided by the Government to help businesses comply with their regulatory obligations. It is not intended to include information that seeks to describe ‘best practice’ rather than how to comply with regulations, or guidance that has nothing to do with regulatory obligations (such as guidance on applying for grants or loans).

1.5 Half of SMEs without employees, and over a third of SMEs with fewer than ten employees, do not use any source of guidance at all. My discussions with businesses highlighted a range of uncertainties around government guidance, which act separately or in combination to discourage use. They include:

- **uncertainty over outcome** – two thirds of SMEs say that guaranteeing a business against penalties if their advice turns out to be wrong is very important in their decision about whether to use an advice service.
They cite this within the top three most important factors in their decision. They want to be more confident that by following guidance they will have complied with the law.

- **access to guidance** – over two-thirds of SMEs regard finding information about which regulations apply to their business a burden. Over one third of businesses say that having a central point to access government support would make them more likely to use it.

- **clarity of guidance** – 80 per cent of SMEs say that guidance being ‘clear and easy to understand’ is ‘very important’. One third consider it the single most important factor in determining whether or not they use guidance.

- **inconsistent guidance across government departments and agencies** – 35 per cent of 528 suggestions to the Better Regulation website www.betterregulation.gov.uk identified a ‘regulatory conflict’. Dealing with these inconsistencies across government costs SMEs time and money.

1.6 Guidance can take many forms, ranging from general written information to advice tailored to specific circumstances. I believe it is reasonable to expect that all guidance – whether general or specific – is up-to-date, clear, accessible and consistent. Guidance should also provide greater certainty over outcome to the user, where it is intended to apply to specific circumstances.

1.7 Different types of SMEs need guidance at different points and for different reasons, for example when they first start up their business, take on their first employee and during times of expansion or contraction.

1.8 For the small proportion of businesses that will never attempt to comply with the law it is right for proportionate enforcement to be an appropriate response. However, I have focussed on helping the vast majority of SMEs who want to comply but find it difficult to do so and simply need some additional help.

### Regulatory areas of most concern to SMEs

1.9 SMEs told me that they have particular difficulty understanding and complying with regulations relating to employment and health and safety. During these discussions with SMEs it became clear that they view employment and health and safety regulations from their own business perspective rather than as defined by the remit of government departments. To SMEs, employment regulations represent all their obligations as an employer, even though they are actually generated by five different government departments. Over half of SME employers find complying...
with employment law a challenge and two fifths find it difficult to understand what their obligations are.\textsuperscript{13} Similarly, SMEs include under health and safety everything from workplace safety, environmental hazards, food safety and fire safety to licensing, which are derived from five government organisations and agencies involved in these areas, together with local authorities.\textsuperscript{14} A third of SMEs find health and safety to be the most time consuming and costly regulation area for their business. A third of medium-sized businesses (50-249 employees) see complying with their obligations as a big challenge.\textsuperscript{15} More than a quarter of medium-sized businesses identify employment regulations as their biggest single administrative burden.\textsuperscript{16}

1.10 Both of these regulatory areas include some goal-based regulatory regimes, which can pose more of a challenge for some smaller firms.\textsuperscript{17} This approach relies on businesses evaluating how well they are reaching the intended objective themselves, rather than meeting prescriptive criteria. Previous research has found that smaller firms, in particular, often prefer the clarity of prescriptive regulation – which tells them precisely what they have to do – to regulations that have a range of possible compliance responses.\textsuperscript{18} For businesses to comply with goal-based regulation successfully they need to have some knowledge and understanding of how to evaluate their organisation. However, SMEs express greater confusion than larger businesses over how to gain knowledge and more doubts about their ability to comply.

\textsuperscript{13} Business Perspectives of Government Guidance, BERR, 2008
\textsuperscript{14} DCLG, Defra, DWP Office for Fair Trading and Food Standards Agency. A survey of businesses found that they did not perceive a difference between environmental and health and safety burdens, Impact of Regulation on Productivity, 2008, p77
\textsuperscript{15} Business Perspectives of Government Guidance, BERR, 2008
\textsuperscript{16} Enterprise Survey Report, Institute of Chartered Accountants in England and Wales, 2007
\textsuperscript{17} See Making an impact on SME compliance behaviour, Fairman and Yapp, 2006 and Improving Outcomes from Health and Safety, BRE, 2008
\textsuperscript{18} History and social responses to the environmental tax reform in the United Kingdom, Dresner et al, 2006; The UK Climate Change Levy: it is working?, Richardson and Chanwai, 2003
The impact of uncertainty

1.11 The impact of uncertainty is high for business, government and citizens and adds to an existing burden for SMEs in complying with regulation. More than two thirds of SMEs express concern that the cost of regulation is disproportionate to the size of their business and feel that regulation costs favour larger organisations. Smaller organisations, which usually possess fewer resources to understand and comply with the law, already face heavier relative costs in implementing regulations than larger organisations. For instance, a small business spends about seven times more hours per employee dealing with government regulations and paperwork – and, in some cases, seven times as much money per employee to comply – compared to the largest businesses.

1.12 In addition, research suggests that the cost of regulatory uncertainty is wider than just direct compliance costs. For some smaller businesses, uncertainty over regulations can impose demands on management time and divert resources from other activities that would provide value to the business: “in the face of uncertainty, firms achieve a lower level of value than before.”

1.13 Uncertainty is a key reason why businesses pay for advisors, in order to gain some reassurance. Half of all businesses are estimated to use external advice about how to follow regulation and small and medium sized businesses are more likely than larger businesses to pay for external advice. The market for paid advice on employment and health and safety issues is particularly significant. Two thirds of medium sized enterprises report having paid for advice on employment or health and safety regulation. Business are reported to spend at least £100 million a year on employment advice alone and over two thirds of advice provided by business advisors relates to employment law. The market in health and safety business support services is estimated to be worth between £700 million to £1 billion per year in sales.

1.14 The cost of external advice to business is likely to be significantly higher however, at somewhere between £1.4 billion and £4.2 billion. A 20 per cent reduction of the lower estimate of the market would equate to a saving to business of £288 million.

“I think a whole industry just grows up around regulations… we spend huge amounts of money with health and safety… it is very onerous and as a small organisation we just couldn’t manage it ourselves, so we have to outsource that.”

Contract catering SME

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19 SMEs, regulation and the role of the accountant, ACCA, 2006
20 A small business spends almost seven times as much per employee for a health and safety regulation as for a very large firm, see Improving Outcomes from Health and Safety, BRE, 2008. Also see NatWest’s Quarterly Small Business Survey, 2003; Enterprise Survey, Institute of Chartered Accountants, 2008; Regulatory Burdens of Small Business, Chittenden et al, 2002.
21 Impact of Regulation on Productivity, BERR, 2008, pp85 and 90
22 The Administrative Burdens Reduction Programme, NAO, 2008
23 Business Perspectives of Government Guidance, BERR, 2008
24 Employment Guidance Project: Telephone Survey of Business Advisors, 2007. Also see Acas research paper, Ref 01/08, 2008, where half of case study employers paid for external advice on employment law to compensate for absence of internal expertise.
25 Improving outcomes from health and safety, BRE, 2008, p24
26 £4.2 billion from a UK Trade and Investment estimate, taken from Regulation and Business Advice, BRE, 2007 (excludes accounting services, but includes non-service costs like printing and machinery requirements). £1.4 billion from The Administrative Burdens Reduction Programme, NAO, 2008 (excludes spending on accountancy services and more specialised consultancies).
“We have so much else to care about that we have pretty much just outsourced regulatory compliance in terms of VAT and so on to the account and company secretary, for which we pay well over the odds, in my view.”

Recruitment SME

1.15 I consider that there will always be a market for some areas of paid advice and consultancy. Indeed, some of these products provide greater certainty for businesses than they can find elsewhere. I explore these further in Chapter 2. More widely however, where businesses are unclear about the extent of their legal duties and paid advisors have significantly better knowledge about regulations than them, SMEs can be more susceptible to paying for services they may not need, rather than investing in developing their business.

1.16 During the course of the Review I have found that SMEs may over-comply with regulations based on lack of knowledge or as a result of over-cautious advice. The Federation of Small Businesses (FSB), for instance, highlighted in a survey of its members, that 65 per cent of businesses affected by the Working from Height Regulations felt the need to go beyond the scope of the regulations in order to protect themselves legally against every eventuality. The Health and Safety Executive considers that there is a “great deal of evidence” to indicate that businesses and some organisations that advise them can over-interpret legislation, leading to extra costs for businesses in undertaking activities that are not required under legislation.27

1.17 Conversely, uncertainty may also lead to under-implementation and non-compliance.

“I only get involved with [regulations] when they smack me in the face because I try to avoid anything to do with regulation.”

Internet SME

1.18 SMEs, for instance, are disproportionately more likely to be taken to an employment tribunal by an employee and face more adverse consequences as a result. Organisations with fewer than 25 employees lose 11 per cent of cases and win 9 per cent compared to those with more than 250 employees, which lose 5 per cent and win 11 per cent.28 Smaller organisations are also more likely than large ones to report low staff morale, interrupted business and increased stress levels as a result of losing a case (41 per cent for businesses with fewer than 25 staff, compared to 25 per cent for those with over 250 employees).29 Businesses with between 50-249 employees account for 21 per cent of employment tribunal applications but only 4 per cent of total employment.30

1.19 Receiving an employment tribunal claim can cost an employer on average £1,800 in management time dealing with it. If it proceeds to a tribunal it may cost them on average £13,600 in management time, legal fees, replacing staff and, in 63 per cent

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28 The remainder are settled, withdrawn or dismissed.
30 Hayward et al 2004 and cited in Gibbons, 2007
of cases, an award made against them. The cost to government is about £900 for tribunal costs and any Acas intervention. In addition, 95 per cent of employees who make an employment claim against their employer do not go back to their job. If improving certainty reduced employment tribunals by 10 per cent, this would result in savings of more than £40 million to business, more than £1.75 million to government and £9 million of employee legal costs.

1.20 Reducing regulatory and administrative burdens on business forms part of the European Commission’s European Economic Recovery Plan in response to the recent economic downturn, which recognises that such reforms help increase productivity and strengthens competitiveness.

1.21 Half of small firms spend up to one day a month looking for regulatory information. If improved guidance reduced the time taken by business to deal with regulation by just one hour per year, this could reduce the cost to businesses by £105 million per year. If it saved a whole day per year of business time, this could result in £841 million of cost savings to business (comparable to a six per cent reduction in overall administrative burdens).[23] Academic analysis has suggested that reducing administrative burdens by 25 per cent could increase GDP by up to 0.9 per cent (equivalent to £11 billion a year at current GDP levels).[24] A saving of one day of business time could be equivalent to a £2.6 billion increase in the level of GDP.

1.22 In addition, around a third of SMEs cite uncertainty about employment regulations as a reason why they choose not to employ anyone (although it is variously reported as being as low as seven per cent and as high as 50 per cent).[36] In a 2006 survey, the burden of employment regulation and paperwork was cited by 37 per cent of SMEs of all sizes as a reason why they avoid employing any or more people. A further 19 per cent cited employment regulation as the reason for reducing the numbers they do employ.[37] In another survey in the same year, 32 per cent of SMEs with no employees cited the “complexity of employment legislation” as one of the three main reasons why they do not employ anyone.[38] Over two thirds of employers cite employment law as having a major impact in terms of disincentive to grow the business, impediment to job creation, cost and distraction of effort.[39]

1.23 It is not clear whether employment law concerns are the sole reason why those businesses do not recruit staff, or whether any subsequently hire staff regardless. However, if reducing uncertainty about employment regulations results in some SMEs feeling more confident about taking on an employee, this could lead to the creation of additional jobs – from a few thousand up to as many as 150,000.

31 Recruitment, Retention, Turnover, CIPD, 2006
33 Nat West/ SERT Quarterly Survey, Q1 2007
35 Five Lisbon highlights: the economic impact of reaching these targets, Gelauff and Lejour, 2006
37 NatWest/SERT Quarterly Survey of Small Business in Britain, 2006
38 Key Facts in Employment Law, FSB, 2006

Anderson Review
I believe that poor guidance contributes to poor perception by small and medium sized enterprises of the regulatory burden upon them. For almost a decade there has been a consistent majority reporting in the quarterly survey of small businesses in Britain that the burden has got worse year-on-year. However, previous surveys have found no evidence that the actual amount of time spent on compliance has increased. Regardless of whether perception does not reflect reality, it can still have an effect on the behaviour of SMEs. In a survey of over 1000 FSB members, nearly a quarter of all businesses surveyed said that the Part-time Workers (Prevention of Less Favourable Treatment) Regulations had deterred them from taking on part-time staff, although only one business had been fined for failing to comply with it.

“I just get the feeling that there’s a pile of health and safety people and once they’ve done one load of legislation, it’s almost like, well, we need to keep the job, so therefore we need to think of something else.”
Contract caterer SME

“Health and safety legislation… just becomes more of a burden as every year goes by”.
Construction SME

Improving guidance and increasing the ease with which business can comply with regulations may have a corresponding impact on the ability of SMEs to more clearly understand the actual extent of their regulatory responsibilities.

Given that it is ultimately for the courts to interpret the law, there may always be some uncertainties for businesses around whether they have complied with their legal obligations. However, there are a number of ways that the Government can reduce uncertainty in its guidance and minimise unnecessary costs to business. These are outlined in further detail in Chapters 2-6.

As outlined above, I consider that the use of government guidance should provide a particular benefit to smaller businesses that have less time and money to spend, fewer dedicated staff to allocate to understanding their regulatory requirements, and are more likely to face disproportionately higher regulatory costs than larger businesses. They pay for external advice more often than larger organisations. Yet, they are taken to a tribunal more often by employees, lose a greater number of employment tribunal cases and report a negative impact on their businesses more frequently than larger businesses. I believe that removing some of the stumbling blocks that currently deter SMEs from using guidance should minimise the costs to them of understanding what they must do to comply and, consequently, the costs of non-compliance.

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40 Improving the Implementation of EU Directives, Federation of Small Businesses and Foreign Policy Centre, 2006
Chapter 2: Increasing certainty over outcome

2.1 SMEs say that they “can live with virtually anything,” as long as they know what to do. Many simply want some certainty that if they follow guidance they will have complied with the law. Two thirds of SMEs say that guaranteeing a business against penalties if advice turns out to be wrong is very important in their decision about whether or not to use an advice service. They cite this in the top three most important factors in their decision.

“It’s the fog. It’s the fog of uncertainty. And the killer of business is uncertainty.”
HR consultancy SME

“[I pay external consultants because] the regulations are ever-growing, aren’t they? Now, I just wouldn’t have the knowledge to be able to be confident to say, right, I can cut through all that myself, and know that I won’t fall foul of anything.”
Contract caterer SME

“It’s very difficult to get [guidance] to make a definitive statement.”
Technology SME

“Guidance is a minefield. I may well be compliant, and I want to be, but is it in the right way?”
Environmental adviser SME

Government taking responsibility for its guidance

2.2 The Government produces a range of guidance to help businesses know what they must do to comply with the law. Much of this is helpful and informative. However, I believe that many pieces of guidance actively foster uncertainty about whether they can be relied upon. They are often accompanied by extensive disclaimers stating that the Government is not responsible if its guidance is out-of-date, contains errors or omits information.

“If you do not fully understand and agree to the terms of this disclaimer you must immediately leave this website… The information is provided “as is” without warranty of any kind, either expressed or implied. You should not assume that this information is error-free or that it will be suitable for the particular purpose which you have in mind when using it.”
District Council disclaimer

41 SME London group
42 Business Perspectives of Government Guidance, BERR, 2008

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“Whilst we endeavour to keep it up to date, we cannot be held liable for errors and omissions; compliance with the law remains the user’s responsibility. If you have concerns over compliance, you must seek professional advice, or contact your regulator or local authority.”

Executive agency disclaimer

2.3 Understandably some SMEs have told me that, at present, the Government takes little responsibility for the guidance it produces and instead places the entirety of compliance risk on businesses’ shoulders:

“[Government disclaimers are] not good enough. Absolutely not good enough. I wouldn’t do that to my users. I don’t expect government to do it to its users. You cannot opt out. If the reason is that the regulations are complex, then you’ve got to simplify the regulations.”

Recruitment SME

“The risk is always with the business to comply. Government creates the regulations but is very unwilling to accept its element of risk.”

South East SME group

“Government should have a duty of care to employers to ensure that regulations are understood. Their concern is to reduce risk for employees and for the Government, by moving responsibility onto employers. It doesn’t matter so much with larger employers because they can afford specialist functions to make sure they comply with regulation, but transferring risk like this ends up with [with the burden on] those least capable of managing the risk, who then have either to do their best, or hire a consultant.”

West Midlands SME group

“If it’s something so long that it needs a disclaimer, I’d give it to my lawyer.”

Graphic design SME

2.4 In some cases, the Government can be held accountable for inaccurate guidance or advice where a claim is brought for judicial review or negligent mis-statement or where a complaint is made through an MP to the Parliamentary Ombudsman. However, the Government has typically included disclaimers in its guidance to protect itself from legal claims that could be made against it.

2.5 That said, some government guidance does include positive statements about what users can expect from it, a principle that I would like to see extended. A good example includes this statement attached to guidance produced jointly by the Institute of Directors and the Health and Safety Commission43 about health and safety at work.

43 Now the Health and Safety Executive

Chapter 2: Increasing certainty over outcome
ABOUT THIS GUIDANCE

This guidance, issued jointly by the Institute of Directors and the Health and Safety Commission, is addressed to directors (and their equivalents) of corporate bodies and of organisations in the public and third sectors. Such organisations are required to comply with health and safety law. Although reference is made to existing legal obligations, following the guidance is not in itself obligatory. However, if you do follow it you will normally be doing enough to help your organisations meet its legal obligations.

In considering the liability of an organisation under the Corporate Manslaughter and Corporate Homicide Act 2007, a jury must consider any breaches of health and safety legislation and may have regard to any health and safety guidance. In addition, to other health and safety guidance, this guidance could be a relevant consideration for a jury depending on the circumstances of the particular case.

2.6 I believe that it is now time for all of Government to accept responsibility for the quality of guidance it produces. As the producer of regulation, the Government is in a unique position to explain what businesses need to do to comply. Disclaimers foster doubts about the quality of the information and encourage the unnecessary use of paid advice. Given that it is in the Government’s interests to help businesses comply at minimum economic cost – to achieve the intended outcome of the regulation – it is also in the interests of the Government to ensure that its guidance is high-quality, up-to-date and reliable enough to help businesses know how to do so. It is interesting that the Parliamentary Ombudsman, who looks into complaints about government maladministration, has found against government for inaccurate and incomplete guidance even where it has included disclaimers. I consider that by seeking to avoid its responsibilities by way of disclaimers, government is doing a disservice to the guidance it produces and to its users.

2.7 I believe that all government guidance should provide an accurate interpretation of the law, be up-to-date and not contain errors. Disclaimers about these should not be included in any government guidance. Instead, government guidance should provide a positive statement of what businesses can expect to rely upon. Where guidance is general, and exceptions may apply, guidance should explain what those exceptions are.

2.8 ‘The government’ is intended to include government departments, government regulators, government agencies and local authorities.

44 Trusting in the pensions promise: government bodies and security of final salary occupational pensions, Parliamentary and Health Service Ombudsman, 2006 (HC 984)
RECOMMENDATION 1:

The Government must make clear to SMEs that it takes responsibility for its current guidance through the following actions:

(a) not including disclaimers of responsibility, but including positive statements about what users can expect from guidance;

(b) where a government enforcement body has discretion over what enforcement action can be taken, they will not prosecute or impose a punitive sanction if SMEs have reasonably followed their advice. Redress should be made available where appropriate.

2.9 I believe that this will reduce uncertainty and remove a disincentive for SMEs to use government guidance. It should also provide an additional incentive for government departments to ensure that their guidance is accurate. Redress will be most appropriate in circumstances where the user had good reason to rely on the guidance, but has incurred a detriment as a result of it containing factual inaccuracies.

2.10 The intention is not to prevent the correct application of the law, but rather to ensure that businesses are not penalised for having followed government guidance. Where situations require it, this would not exclude corrective enforcement action being taken.

2.11 Redress could take a range of forms appropriate for the regulatory regime. The Parliamentary Ombudsman investigates complaints that government departments and other public organisations in the UK have not acted properly or fairly or have provided a poor service. She has published “Principles of Good Administration”, including a section on ‘putting things right’. This proposes measures that government departments should take as appropriate to the circumstances, ranging from acknowledging mistakes to financial compensation. The Treasury already advises government departments to take into account these Principles when designing complaints or compensation schemes. I consider it a useful starting point for departments to consider what manner of redress it should make available.

2.12 It is not my intention that this recommendation should reduce the appetite of government departments to produce guidance for businesses. I hope that the Government will accept that it should take responsibility both for giving SMEs guidance and for its quality. This is further bolstered by my recommendation 11, which recommends that where government deals with businesses, it should have targets to ‘increase customer satisfaction’.

45 www.ombudsman.org.uk/improving_services/good_administration/principles.html
46 Managing Public Money, Treasury, 2007
**Government updating its guidance**

2.13 It is the job of the courts, rather than the Government, to interpret legislation. Their decisions may change or refine the meaning of the regulation and therefore affect the accuracy of guidance given about it. However, over three quarters of SMEs say that it is a burden for them to keep up to date with changes in existing regulation.\(^47\) SMEs ask if the Government cannot keep up with the changes in the law, how can they be expected to do so?\(^48\) The Government currently provides some regulatory updates to those businesses that sign up for the service. For instance, businesses can register for a regulatory update service on environmental regulations through NetRegs, a website that provides free environmental guidance for SMEs. Businesslink.gov also provides regulatory updates on its website and an email update service for businesses that sign up. The Government should further promote these services to businesses to enable them to be easily aware of any changes to their regulatory obligations.

“[The Company Secretarial Service] send me reminders to do things. I don’t understand why the regulator can’t do that.”

Recruitment SME

“If they sent me a monthly update which said these are the four things that you need to know about, that probably would be perfect.”

Internet company SME

**RECOMMENDATION 1 CONTD:**

The Government should ensure that it updates its guidance to reflect the current legal position. The Government should ensure that changes to regulations are provided to relevant organisations.

The Government should publish how it will take forward these recommendations by April 2009.

**Employment and health and safety: tailoring advice and improving certainty over outcome**

2.14 The ways that government guidance can provide greater certainty to SMEs depend on which area of law it relates to and whether the relevant government department or body is the single main enforcer. As outlined in recommendation 1, where a government enforcement body has discretion over what enforcement action can be taken I consider that it should take responsibility for the quality of guidance through not prosecuting or taking punitive action, or by providing redress where a business has followed guidance that proves to be incorrect.

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\(^{47}\) Survey of Business’ Perceptions of Regulation, NAO, 2007

\(^{48}\) Anderson Review Stakeholder Meeting, September 2008
Chapter 2: Increasing certainty over outcome

2.15 However, the regulations that SMEs have greatest concern about – in employment and health and safety – are both regulatory areas where the Government may not be the enforcement body. In general, employees, not the Government, decide whether to take action against an employer under employment law.\(^{49}\) Similarly, individuals are able to take action against businesses under some health and safety regulation. In these cases, Government cannot determine whether a business, regardless of whether they have sought and followed guidance, will be taken to court. Instead, it needs to take a different approach to providing certainty over outcome to SMEs where they have taken and followed government advice.

2.16 In addition, both employment and health and safety regulations adopt some elements of a goal-setting regulatory approach, which can pose greater challenges for smaller businesses. As noted in paragraph 1.10, goal-setting regulation requires businesses to evaluate for themselves how well they are meeting the goal set by law and what they need to do to comply, yet the lack of specific criteria can make it difficult for SMEs to be reassured that they have done what they need to do. It also relies on organisations having some knowledge and understanding in order to undertake these evaluations. However, SMEs can feel less confident than larger organisations about where to find information on goal-setting regulation and their chances of complying with it.\(^{50}\)

“I know I’ve got to phone Thames Water. I know I’ve got to pay their bills. That strikes me as entirely reasonable. But if they wanted me to decide what pressure the water was coming out, how many particles of chlorine... I couldn’t care less. I’m not saying, I haven’t got the time to do this. I’m saying, I know I need to do this, but please just make it simple.”

Recruitment SME

“I think we’re actually frightened of being prosecuted for doing something really stupid and negligent or whatever. I think that’s where... big business and small business are very different. I think we are frightened of the things that big business isn’t frightened of. We’re frightened of being the innocent victims of stuff that was designed not for us. So, if you can remove that irrational fear...”

Farmer SME

2.17 In these areas, I believe that government guidance can only provide certainty over outcome to businesses if it gives them greater interpretation of regulations rather than generic information. In addition, I consider that providing certainty to SMEs that they will be financially covered provided they have sought and followed advice will provide a strong incentive for SMEs to actually seek and comply with guidance, and thus should reduce poor outcomes.

2.18 Greater certainty in these areas is something that SMEs have told me they see a need for. Over two thirds of SMEs say they would be very likely or fairly likely to use a government-funded advice service that offered specific advice and provided certainty against financial penalties.\(^{51}\)

\(^{49}\) The government enforces employment regulation in a minority of circumstances, for instance the National Minimum Wage.

\(^{50}\) See Making an impact on SME compliance behaviour, Fairman and Yapp, 2005 and Improving Outcomes from Health and Safety, BRE, 2008

\(^{51}\) Business Perspectives of Government Guidance, BERR, 2008
“So, if I ticked all ten of those things [to comply with regulation] in good faith because I think I’ve complied and I get an indemnity, I think, well, that’s quite attractive.”

Farmer SME

“You want the guidance so you know what the law is, black and white, what should you do?... I think the reason we ask for reassurance is because you don’t necessarily 100% trust the guidance or the advice we’ve got in front of us.”

Recruitment agency SME

2.19 There are providers of insured or indemnified advice, who offer tailored advice and insurance to cover the legal costs and awards if a business is sued, in particular on employment issues. Some commercial providers offer customised advice services that will cover a client if, for instance, they have an employment tribunal claim made against them. Insured legal advice service is included in the membership of some trade associations, including the Federation of Small Businesses (FSB), Road Haulage Association, National Hairdressers Federation and National Association of Retail Newsagents. Many also provide a range of additional services.

2.20 The Association of British Insurers estimate that there are about 2.3 million business insurance policies written which include some element of legal expenses cover. Most are likely to be an add-on to another insurance policy. There are about 120 providers in the market, mainly distributors who do not carry financial risk, and around four to five major insurers. Some policies include solely legal advice and representations, while others also include awards made at tribunal.

2.21 However, only around seven per cent of all SMEs, and around a quarter of SME employers, use commercial tailored advice services. It is also unclear how many businesses know that they have access to legal expenses insurance. A report for the Ministry of Justice (MoJ) on legal expenses insurance showed that less than 25 per cent of consumers had heard of this kind of insurance, despite around 59 per cent already owning cover.

2.22 I consider that it is in the interests of businesses to seek advice before they take action, to minimise the likelihood of a situation progressing towards legal action in the first place. ‘After the event’ insurance policies apply whether or not customers have sought and followed advice. ‘Before the event’ insurance has the advantage of providing businesses with a means of getting advice and assistance at as early a stage as possible. The MoJ report considers that increasing the sales of ‘before the event’ policies may encourage disputes being settled earlier by mediation and alternative dispute resolution, for instance, rather than leading to cases going to court.

2.23 I believe that the Government has a role to encourage the use of these services, which increase certainty over outcome in areas of regulation that SMEs have

52 Based on an estimated 350,000 customers of legal insured advice providers and trade associations who include the service.
greatest difficulty in understanding and complying with, and to ensure that the advice actively promotes compliance.

2.24 In my view, the best way of doing so is for the Government to provide a tailored, insured advice helpline for employment and health and safety regulation. The insurance component would cover legal costs and the costs of an award made against the SME in employment tribunals and cover legal costs in health and safety enforcement action. In order to benefit from the insurance cover, users would need to seek advice before they take action and to disclose all relevant facts. This should be consistent with the approach set out by Michael Gibbons in his 2007 report on better dispute resolution, which proposed that Government bring about effective resolution of disputes as early as possible.

2.25 I consider that this would provide a straightforward and focussed way for SMEs to access and understand this market and the type of service it can provide. It should improve compliance by incentivising SMEs, as a condition of insurance, to seek and follow advice before they act. In addition, I believe that it would offer a regulatory ‘shot in the arm’ to SMEs for complying with employment and health and safety regulation, which should provide a good grounding for them in the longer term.

2.26 This service could save businesses more than £40 million by increasing their level of compliance with employment regulations. It could reduce costs to government of operating the tribunal system by more than £1.75 million. And it could save up to £9 million for employees in legal costs, if they did not incur the treatment that would induce them to take their employer to a tribunal.55

2.27 The Government accepted the recommendation in Sir David Varney’s Report on Service Transformation in 2006 that they should “explore the scope for providing more coordinated helpline services”. The insured advice helpline should act as a catalyst for the Government to take forward the aspiration of coordinated helpline provision for business.

### RECOMMENDATION 2:

The Government should provide access for SMEs to a tailored, insured advice helpline on employment and health and safety regulations and provide free access for one year from the point of first contact.

The Government should publish how it will take forward this recommendation by April 2009, with a view to having a helpline in place as soon as possible and by October 2009.

2.28 Thereafter, the Government should instigate and support the development of an accreditation scheme for insured advice providers, in order to promote access to the market for those SMEs that would like to continue with a similar service, after their subsidised year.

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55 If there were 10 per cent fewer employment tribunal claims resulting from SMEs using this service and following advice and, where claims are made, more were settled than went to full tribunal.

Chapter 2: Increasing certainty over outcome
Raising the profile of statutory codes of practice

2.29 Statutory codes are issued or approved under a particular provision in a law. They may set out in more detail how the law on which they are based will apply and may be admissible evidence in relevant legal proceedings. The detail, length, admissibility and weight depend on the regime established by the piece of legislation that enables them to be drawn up. Where these Codes are clear, short and easy-to-read, I believe that they can provide an excellent and reliable source of guidance for SMEs.

2.30 For instance, employment tribunal (ET) judges are currently bound to take account of the provisions of the Acas Code of Practice on discipline and grievance in reaching their judgments in ET claims for unfair dismissal. The Codes are admissible as evidence in tribunal proceedings and are to be taken into account if relevant in any proceedings before an ET.\(^{56}\) These constitute around 25 per cent of individual claims. However, an employer’s failure to comply with a code does not itself render the employer liable to any proceedings.

2.31 In order to encourage compliance with the Acas Code, the new Employment Act 2008 states that employment tribunals can vary awards for “an unreasonable failure to comply with any relevant statutory code”, and increase any award to an employee by up to 25 per cent if an employer has unreasonably failed to comply with the relevant statutory code.\(^{57}\) Acas’ revised statutory Code will come into force in April 2009.

2.32 I consider that these Codes can act as a useful means of guidance, helping to provide certainty to business. The Government should ensure that businesses know that these Codes exist. They will be incentivised to do so if they know that they will be taken into account in court.

**Recommendation 3:**

The Government should raise the profile of statutory codes that are of most use to SMEs. They should ensure that judges receive judicial training to state where statutory codes have been taken into account in their judgements.

For instance, the Government should ensure that judges in employment tribunals receive judicial training to state how an employer’s adherence to the Acas Code of Practice on disciplinary and grievance procedures is taken into account. If the training does not prove effective, the Government should include this requirement in the Employment Tribunal Rules of Procedure.

The Government should measure progress by October 2009.

\(^{56}\) Under section 207(2) of the Trade Union and Labour Relations Act 1992

\(^{57}\) http://www.publications.parliament.uk/pa/id200708/lbdills/013/en/08013x—.htm


Chapter 3: Making guidance more accessible

3.1 Over two thirds of businesses consider it a burden to find information about the regulations that apply to their business and to find guidance and advice explaining what they have to do to comply with a given regulation. SMEs place greater importance, compared to large businesses, on improving access to information (80 per cent compared to 68 per cent). Three quarters of SMEs also say that it is difficult to find information about which regulations apply to their business, compared to just over half of large businesses.

3.2 Surveys report the use of government guidance by SMEs as anything from 16 per cent to 40 per cent. At present, businesses go less often to government department websites or make direct contact with departments than seek paid advice. The smallest organisations regard accountants as the most useful source of information on regulation. The Quarterly Survey of Small Business in Britain has reported a big increase over five years in the proportion of small firms seeking advice on government regulations. There has also been an improvement in the proportion of those who successfully found the information they needed, although not necessarily from government sources.

3.3 Sir David Varney’s Report on Service Transformation in 2006 recommended that the Government provide two central websites for official guidance, one for citizens and one for business. The Government plans to migrate 180 existing government websites so that they can be accessed from these websites by 2011.

3.4 Businesses say they would find it easier to get information from a single place. Thirty seven per cent of businesses said having a central point to access government support would make them more likely to use it in the first instance rather than other sources.

“I’m looking for a single authoritative source of information that provides certainty and is definitive.”
Travel company SME

3.5 Sixty eight per cent of businesses agree that “finding information about which regulations apply to your business” is a burden and 66 per cent that it is a burden to find “guidance and advice explaining what you have to do to comply with a given

58 The Administrative Burdens Reduction Programme, NAO, 2008
59 The Outcomes of the Government’s Administrative Burdens Reduction Programme, NAO, Jan-March 2007
60 NAO Survey of Business Perceptions of Regulations, 2007
61 FSB Employment Survey, 2006; The Administrative Burdens Reduction Programme, NAO, 2008
62 The Administrative Burdens Reduction Programme, NAO, 2008
63 Quarterly Survey of Small Business in Britain, 2008 Q1, Vol 23, No 2, SERTeam
64 Ibid
65 Service transformation: A better service for citizens and businesses, a better deal for the taxpayer, Varney, 2006
66 The small business view of business support, FSB, 2007
3.6 There is no one method of communicating advice that SMEs, as a group, consistently favour. Instead, they would like advice to be given via a variety of channels, including written letter, face-to-face, internet, email and the telephone.  

3.7 I support the Government’s aspirations to make available its regulatory guidance at a single source and encourage it to prioritise its efforts to do so. Businesses should also be able to access all guidance via a range of channels including telephone, face-to-face and the internet.

3.8 At present, the designated place for business to access government guidance is www.businesslink.gov.uk (businesslink.gov). The website has improved its content significantly since it was established five years ago. Businesses that visit the site can now sign up for automatic, tailored updates that tell them relevant regulation affecting their businesses. They can tailor information according to type of business and use tools on the site to help them comply with regulations. For instance, they can write a statement of employment for their employees and calculate their employees’ holiday entitlement. Surveys show that 88 per cent of those businesses that use the website are happy or very happy with it. Twenty six per cent of users visit the site ten times or more times during a year. Of the SMEs I spoke to, those that knew of the website and had used it mainly considered it very useful.

“The site’s really good.”
Recruitment agency SME

Administrative Burdens Reduction Programme, NAO, 2008
Business Perspectives of Government Guidance, BERR, 2008
Databuild Impact Assessment, November 2007; other figures show that 86% of users found the website very or fairly useful, http://www.nao.org.uk/publications/nao_reports/07-08/0708944.pdf
3.9 However, only 11 per cent of businesses use businesslink.gov, an estimated 50 per cent of the market for general business advice.\textsuperscript{70} Businesslink.gov aims to increase its market penetration to 60 per cent of all businesses over the next three years, as a result of businesses being able to complete tax returns and other transactions via the website.

3.10 SMEs that I spoke to about the website were split between those who had used it and were broadly happy with the content, those who had never heard of it and those who had heard of the name but did not use the website because they assumed it would be poor quality as a result of their associations with the face-to-face service.

“I have used the Business Link website. It provided useful help on R&D tax codes.”
Specialist printing company SME

“I've never heard of Businesslink.”
Catalogue retailer SME

“Businesslink.gov is good, sufficiently so for me to use content in my own work as an HR Consultant but the site is complicated and the name carries the bad associations with Business Link advisors.”
HR consultancy SME

“My perception is of on-line and advisors tied together, the brand is the problem.”
West Midlands SME group

“I have heard of Business Link but have a concern on quality of people. I did attend a recent event. I have not looked at the website.”
Care home provider SME

3.11 The website shares the ‘Business Link’ brand with the name of the face-to-face business advice service and a telephone helpline which gives people access to advisors by phone. Several SMEs assume that the website and the face-to-face service are one and the same. For many, their historical poor perception of the face-to-face service deters them from accessing a website with the same brand name. One business said that it advised the Business Link face-to-face service “more than they advise us” and so had not used the website.\textsuperscript{71} A group of SME owners had a mixed experience with the face-to-face service, but all agreed that they would consider the two together, for good or bad.\textsuperscript{72}

3.12 One SME owner said that she had used the website because she knew it was not associated with the face-to-face service. She considered the branding misleading and unhelpful for a product that was moving in the “right direction.”\textsuperscript{73} Others who

\textsuperscript{70} Ibid
\textsuperscript{71} Chemical company SME
\textsuperscript{72} North-East SME group
\textsuperscript{73} Environmental consultancy SME
had used the website and found it “quite good,” expressed surprise that it had the same brand as the face-to-face advisors which they thought had gone “downhill.”

“[I] had a slightly bad experience of Business Link… I would question the efficacy of a portal branded Business Link. I just perceive, rightly or wrongly, Business Link to be sort of slightly well meaning people who haven’t really made it in business themselves.”

Employment agency SME

“The brand is tarred. It’s ruined.”

South-East SME group

3.13 This poor perception around the brand and the adverse effects it can have on whether they use the website, was expressed in one particularly outspoken business group I attended. When asked what their assumption regarding the name Business Link was, one business who had not used the website told me, “I’ve got no experience with it being crap other than loads of people in the pub telling me it’s crap.”

3.14 Yet, it does appear that the myths surrounding the brand are now outdated. Recent surveys on satisfaction with overall Business Link services show that 92 per cent of customers would use it again and 97 per cent would recommend Business Link to others if asked. However, the poor associations with the brand are pervasive and long-lived among the SME community and seem to be a factor in deterring use. Given that the Government intends to continue to improve the content of the website significantly before 2011, I believe that it must address this issue immediately in order to encourage the greatest usage of a website that could genuinely save small and medium-sized businesses time and money.

3.15 Singapore, the USA and Australia – all in the top ten of the World Bank Doing Business Report – use the web address www.business.gov to access their online guidance websites. None of their face-to-face advisors have the same brand as the single business website.

**RECOMMENDATION 4:**

Government must review, as a matter of urgency, the branding of their single guidance website to ensure that it does not deter users e.g. “business.gov.uk”

3.16 Another channel for improving SMEs access to guidance is through the HM Revenue and Customs’ (HMRC) programme of Business Advice Open Days, which run nationwide. There are currently 16 Business Advice Open Days each year, attracting up to 2,000 visitors at the largest venues. Each event consists of an exhibition of 25-50 exhibitors, representing HMRC, National Sponsors (Business

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36 East Anglia SME group
35 Farmer SME
36 Business Link Regional Performance Report Q4 2008
37 www.doingbusiness.org/EconomyRankings

*Anderson Review*
Link, Welsh Assembly Government, Scottish Executive and Invest Northern Ireland), other national Partners (Health and Safety Executive, PRIME, Age Positive, Companies House, Department for Communities and Local Government, Jobcentre Plus, Royal Institution of Chartered Surveyors and the Institute of Chartered Surveyors) and local Business Support Agencies. Each event includes a series of between 10 and 48 seminars, as well as one-to-one drop-in centres and online demonstrations.

3.17 The programme of events is designed to meet the specific needs of local businesses. Some of the events are deliberately located at smaller venues attracting 100 or so visitors from the more remote parts of the UK. A recent event in Twickenham attracted 1500 visitors, 90 per cent of whom attended seminars as well as the exhibition. 90 per cent of attendees felt the event was a good or excellent use of taxpayers’ money and 84 per cent felt much more, or slightly more, confident about meeting their obligations to HMRC in particular.

3.18 As well as tax, I consider it essential that the Government helps SMEs to understand their obligations under employment and health and safety regulations from the day they first take on an employee. Businesses do not have a lot of time to gain information about regulations and these Open Days represent an easily accessible way for them to do so locally.

**RECOMMENDATION 5:**

HMRC should expand its work with other government departments and regulatory bodies to enable Business Advice Open Days to provide face-to-face advisory sessions on a range of other essential regulatory issues affecting SMEs, in particular employment and health and safety law.
Chapter 4: Making guidance clearer

4.1 SMEs place greatest importance on government guidance being clear and easy to understand when deciding whether or not to use it. Eighty per cent of SMEs say that this is ‘very important’ to them and over a third highlighted it as the single most important factor in determining their use of guidance. SMEs, in particular, raise it as important more frequently than large businesses.

“Don’t take me through the untreated sewage of regulation. Tell me what to do.”
South-East SME group

“Just tell me what I need to know.”
South-East SME group

“In terms of targeting small businesspeople who are concerned with running their business, [tell us] the headlines. It’s like an ‘idiot’s guide to’. I think that would be brilliant.”
Internet SME

“Putting guidance in plain, accessible language and formats is essential. If we actually found guidance, we wouldn’t bother reading more than two sides.”
HR consultancy SME

4.2 Many SMEs cite complexity and difficulty of understanding guidance as key reasons why they consult paid advisors. Over half of businesses pay external agents or use their trade associations to find advice and guidance. This proportion is higher among small and medium sized businesses than it is among larger firms.

“I suppose it’s just the complexity of it. And if you don’t employ a specialist, or you weren’t a specialist yourself, it’s very difficult to find out where to get the information, because it’s always changing... So you’re forever trying to either refer to another specialist, or trying to find something on the internet if you can.”
Contract catering SME

“Personally I would like something that is in easy English, that you can understand before you have to go to the lawyer.”
Internet SME

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78 Business Perspectives of Government Guidance, BERR, 2008
79 The Outcomes of the Government’s Administrative Burdens Reduction Programme, NAO, Jan-March 2007
80 The Administrative Burdens Reduction Programme, NAO, 2008
4.3 SME owner/managers spend an average of between 7 and 10 hours each week complying with regulation and filling in forms. The FSB found that 27 per cent of its respondents worked between 50 and 60 hours per week and 22 per cent worked more than 60 hours a week. Many SMEs use their weekends and evenings to deal with paperwork and regulatory compliance. If something is time-consuming and difficult to understand they are more likely to give up and rely on their common-sense or pay someone else to do it on their behalf.

4.4 It is very common to supply ‘quick-start’ guides for new products – including those that are complex such as mobile phones and computers. These tell users the essential things that they need to know to get their new product working. They understand that many people will assume their new product will work in a similar manner to their last one – or in a similar way to associated products. As a result, users have limited patience, and see little need, to read long and detailed manuals. Indeed, for many products the detailed manual is only supplied electronically or is online for those users who want more detailed documentation. Where detailed manuals are provided they may often be discarded or placed in a drawer never to be seen again.

4.5 I think that the situation for government guidance on complying with the law is often similar to this. Long, detailed guidance is produced but SMEs do not have the time or energy to read through it and it gets filed for later reference with all the other guidance the business has been given. However there is usually no ‘quick-start’ guide available as an alternative for businesses to refer to. I see no reason why this approach from industry cannot be adopted by the Government. Shorter, snappier and more user-friendly guidance would be something businesses could bring into every day use. Where more detailed guidance could be helpful, for example to deal with particular exceptions or factual examples, it could be provided separately and cross-referred to in the ‘quick-start’ guide.

4.6 The Government’s website for business, www.businesslink.gov.uk, provides well received ‘regulation updates’ which are designed to provide a quick, at-a-glance view of a regulation. This permits businesses to assess quickly whether a regulation applies to them, to understand the key actions they need to take to comply and provides links to further detail.

“It’s brilliant because it gives you a paragraph on each regulation that changes.”
Business consultancy SME

4.7 Feedback has also been positive, for instance, about a ‘quick-start’ guide for forthcoming regulations on businesslink.gov:

“I found this summary document easy to understand and perhaps for the first time I have read through thoroughly upcoming changes in the regulations. This system allows me to filter out regulations that are not pertinent to my business allowing more time to look at those that are or may be pertinent.”
Training company SME

“I was able to quickly scan it and find the items relating to my business rather than have to read through lots of info, which I really do not have the time or interest to do. More of these simple type summaries would be helpful.”

Travel company SME

4.8 I believe that this kind of tool should be applied to all government guidance.

**RECOMMENDATION 6:**

All guidance should be accompanied by a ‘quick-start’ summary version, which states the type of business to which it applies and the essential actions they must take to comply with the regulation.

4.9 SMEs tend to place greater emphasis than larger businesses on guidance being improved and have a worse impression of regulation overall. Over 81 per cent of SMEs, for instance, place importance on simplifying rules compared to 69 per cent of larger businesses. Sixty-four per cent of medium sized businesses disagree that it is easy to comply with regulation compared to 55 per cent of large businesses. Seventy one per cent of SMEs say finding guidance and advice on compliance is a burden, compared to 58 per cent of large businesses. The quality and ease of access of government guidance are factors that may influence this.

4.10 In July 2008, the Government published the Code of Practice on Guidance, a list of eight ‘golden rules of good guidance’ that government officials should follow in producing guidance. The Code ensures that there are consistent standards for guidance and that the needs of users are central to how guidance is produced. The Government has agreed that users should receive guidance that is:

- based on a good understanding of users;
- designed with input from users and their representative bodies;
- organised around the user’s way of working;
- easy for the intended users to understand;
- designed to provide an appropriate understanding of how to comply with the law;
- issued in good time;
- easy to access; and
- reviewed and improved.

82 The outcomes of the Government’s Administrative Burdens Reduction Programme, NAO, 2007
83 [http://www.berr.gov.uk/whatwedo/br/e/code/page46954.html](http://www.berr.gov.uk/whatwedo/br/e/code/page46954.html)
4.11 SMEs will mostly be unaware of this Code. I consider that users of guidance should be made aware that they can expect these standards and, where they are not met, they should have an opportunity to report this to the Government. This would help to make clear where government guidance is of a high quality and provide further motivation for Government to ensure that it produces guidance of a good standard.

4.12 Guidance should list the eight requirements of the Code, with an accompanying weblink for users to report where they do not think compliance has been achieved. Very short pieces of guidance – of two pages or less – should state whether it has complied with the Code, accompanied by a weblink to the eight requirements of the Code and the site to report complaints.

4.13 Rule 8 of the Code states that “guidance will be reviewed to check it is up-to-date.” At present, the Code applies to all guidance as it is produced. It will also apply to guidance that is being reviewed. In order to embed the principles of the Code across government guidance, the Government should make clear to the public when it intends to review all of its guidance so that it meets the standards of the Code.

**RECOMMENDATION 7:**

Every piece of guidance should state whether it has complied with the Code of Practice on Guidance. By June 2009, all government departments, regulators and agencies should publish a list of all the guidance they currently produce, stating a date by when they intend to update each piece so that it complies with the Code of Practice on Guidance.

4.14 Thirty two per cent of SMEs would like to access employment advice face to face, either one-to-one or at seminars or events. A significant proportion of these prefer one-to-one contact.\(^{84}\) Acas, the Advisory, Conciliation and Arbitration Service, provide low-cost ‘open-access’ training for employers in employment issues such as varying a contract, dismissal, retaining staff, maternity, paternity and adoption leave, migrant workers and redundancy. These are provided across different regions of the UK. The courses provide to employers a face-to-face way of better understanding their regulatory obligations for relatively low cost, yet many new employers are unaware of their existence.

4.15 The Acas training courses are highly regarded by those that attend them. Ninety-five per cent of users were ‘very satisfied’ or ‘satisfied’ with the training they received. Eighty-three per cent of respondents also reported a positive impact on their ability to deal effectively with the training topic area.\(^{85}\) Acas recognises that their training sessions on employment law and good practice are especially helpful to employers and managers in small companies who may not have an HR specialist in-house to turn to for advice.\(^{86}\)

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\(^{84}\) Survey of Business’ Perceptions of Regulation, NAO, 2007  
\(^{85}\) Acas Annual Report, 2007-08  
\(^{86}\) Ibid
In 2007-08 Acas delivered 2,500 training sessions, down from 2,707 in 2006-07 and 2,989 in 2004-05. The primary way that delegates find out about Acas training is via mail-outs, with 38 per cent of delegates finding out this way. I believe that businesses would benefit from being more aware that courses on essential employment are available at the point at which they choose to take on an employee. One straightforward way to do this is to market such courses when new employers notify the Government that they have recruited an employee.

**RECOMMENDATION 8:**

When businesses take on their first employee Acas should provide to them, via HMRC, ‘money-off’ discount vouchers for training in essential employment regulations. This should help businesses to comply with the law from day one.
Chapter 5: Achieving consistent guidance across government

5.1 I have found that most SMEs think of government as one entity. They do not differentiate between national and local government or by agency or department. SMEs think of regulation in terms of their own processes rather than legislative or departmental structures. They tend to view their obligations under employment regulations, for instance, as including everything that affects them as employers. Similarly, they regard health and safety as also including their obligations in relation to, for instance, food safety, fire safety, environmental health and trading standards. Within government however, five different government departments generate regulation that may affect employers. In the wider interpretation of the health and safety regulatory agenda six different government departments and agencies, together with local authorities, contribute to regulation.

5.2 The multitude of government organisations can create inconsistency in government guidance that makes it difficult for businesses to know how to comply. Some 35 per cent of 528 suggestions to the Better Regulation website consider there to be a ‘regulatory conflict’ in the area of regulation that they wished to improve. Around half of SMEs do not think that different parts of government take a joined-up approach to regulation and a third have found the advice they received from local councils to be ‘very’ or ‘fairly’ inconsistent.

“this is another feature of this country, you know, there’s a latticework of overlapping government agencies that govern us and regulate us… there’s a lot… of confusion.”
HR consultancy SME

5.3 Many SMEs consider that conflicting guidance and requirements between different regulators make compliance difficult and expensive for them. A chemical company told me, for instance, that they had to undertake two different risk assessments for the Environment Agency and HSE, which had different interpretations and requirements for one part of the Control of Major Accident Hazards Regulation, over which they both have jurisdiction. A tree contractor must accommodate forestry, agriculture, horticulture, waste management, haulage and construction regulations and wondered, “If government inspectors don’t know the answers, how can SMEs be expected to?” Sixty three per cent of businesses say that taking a joined-up approach to inspectors by different local regulatory services is very or fairly important.

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88 Including the Department for Work and Pensions, Home Office, Department for Business, Enterprise and Regulatory Reform, Government Equalities Office and Her Majesty's Revenue and Customs
89 Including the Health and Safety Executive, Office of Fair Trading, DWP, CLG, Defra and FSA
90 Survey of Business’ Perceptions of Regulation, NAO, 2007; Business perceptions of local authority regulatory services, LBRO, 2008
91 Chemicals Company SME
92 Arboriculture Contractor SME
93 Business perceptions of local authority regulatory services, LBRO, 2008
**RECOMMENDATION 9:**

Businesses should be able easily to report inconsistent or inaccurate guidance to a central place. The Government should acknowledge receipt within one week and resolve these issues within 90 days. During the period that the Government is resolving the conflict in guidance, enforcers should exercise discretion to ensure that the business does not face unfair prosecution or punitive sanction.

5.4 SMEs face a dilemma: they want fewer inspections but also demand a high level of knowledge from inspectors. They rely on inspectors as a key channel by which they receive guidance about compliance. Ninety-six per cent of SMEs say that improving regulators’ and inspectors’ understanding of business would make it less burdensome for them to comply with regulation.\(^{94}\) I believe that a sector-based approach to inspection should help deal with this dilemma by helping to reduce the burden on business of seeking information about, and complying with, the regulatory requirements across their business.

5.5 In particular, pre- and post-qualification professional development for inspectors should include a clear focus on understanding the needs of business. For example, if an inspector was trained in all hazards and regulations facing the hotel and catering sector, rather than separately trained in fire safety, trading standards, environmental safety and so on, this should enable them to provide more informed and relevant advice to help the business comply with the range of its regulatory obligations.

5.6 For most businesses, local authority and tax inspections are the main face-to-face contact with government guidance they will have. The Government has established the Local Better Regulation Office (LBRO) to promote quality and consistency in local authority regulatory services. One of the LBRO’s strategic objectives is to “support service improvement and change in local authority regulatory services.” The LBRO has recently begun to collect evidence on how businesses are dealt with by local authority regulatory services. A recent survey found that, of all local authorities’ services, businesses are least satisfied with their local authority officers’ knowledge of their business’ situation. Seventy-five per cent of businesses say that provision of an advisory service is an important aspect of these services.\(^{95}\)

5.7 Some work is already taking place that could enable businesses to receive guidance from inspectors that is more in line with their needs. The LBRO is working with national regulators and professional bodies to establish a ‘World Class Regulatory Services System’ to simplify the complex local regulatory system and enable all local authority regulatory services to work more effectively.\(^{96}\) This project will develop a common standard of excellence and common frameworks to address issues such as professional competency and risk assessment that will apply to all local authority regulators.

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\(^{94}\) Survey of Business’ Perceptions of Regulation, NAO, 2007  
\(^{95}\) Business perceptions of local authority regulatory services, LBRO, 2008  
\(^{96}\) LBRO Discussion Paper, June 2008
5.8 As part of this work, the LBRO should explore how far current competences relating to local government regulators – including environmental health, trading standards and fire safety – reflect a business focus and whether there is scope to improve the way that business receives advice and guidance, including whether sector-based advice and guidance is appropriate.

5.9 In addition, the LBRO are running the ‘Trading Places’ pilot project. This facilitates regulatory services professionals working within a business to help them to understand regulatory compliance from the firm’s point of view. If the pilot is successful, Trading Places will be rolled out more widely in mid-to-late 2009. They are also working with national business groups to develop local opportunities for a closer dialogue between local authority regulatory services and business, with a view to developing a more sector-specific approach.

5.10 Existing work goes some way to developing the training of inspectors towards a more business-focused approach. However, I believe that a widespread examination of the way that inspectors are trained is needed if it will result in any real-world impact on SMEs themselves.

**RECOMMENDATION 10:**

Professional bodies, local authorities and regulators should examine how to broaden the skills of inspectors so that they can better provide advice and guidance that is based on the experiences and needs of business.
Chapter 6: **Culture change and communication**

6.1 It has been interesting that HM Revenue and Customs (HMRC) is consistently mentioned by SMEs as a department that provides good guidance. Almost 90 per cent of SME employers say that they were satisfied with the service they had received from HMRC and 78 per cent agree that HMRC make it easy for them to fulfill their overall tax obligations. Some 40 per cent of SME employers contacted HMRC in 2007. If the department that collects taxes can be considered one of the most helpful in government, I believe there is much that other departments can learn from them about how to engage with SMEs.

6.2 HMRC’s statutory duty is to collect money for the Exchequer and its activities are geared towards this outcome. It employs around 39,000 staff to enforce compliance. However, HMRC’s focus for improving compliance has moved gradually from punitive measures and inspection towards providing better information and greater incentives for businesses to seek it out. One of the ways they have done this is to focus on better understanding their customer base and training 10,000 frontline staff to understand what it is like to be a customer. This innovative work originates from one of HMRC’s three departmental strategic objectives, to “improve customers’ experiences of HMRC and improve the UK business environment”. HMRC considers that this objective provides the foundation to help businesses comply with their tax obligations, by helping people to meet their obligations.

6.3 This focus is further reflected in the 2008-09 key performance indicators that drive the behaviour of HMRC inspectors, which includes the performance indicator to “achieve overall customer satisfaction of 90 per cent”. It is also embedded in one of their four values, which includes “putting our customers at the heart of everything we do; understanding them and responding to their behaviours and expectations.”

6.4 At local authority level, a new national indicator, “satisfaction of business with local authority regulatory services” has been included in the new local authority performance framework to start from April 2009. The indicator forms part of the Comprehensive Spending Review 2007. Local authorities must choose 35 indicators that they feel are most relevant to their area, out of a possible 198. Although all local authorities will report on all indicators, they will specifically be assessed against the 35 that they select. To date, three local authorities have adopted the “satisfaction of business with local authority regulatory services” within their Local Area

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98 DSO 2
100 Ibid
101 National Indicator 182
Agreement. This is the first year that this system has been in place and I consider that this indicator may provide a useful step forward to focus local authorities’ provision of advice in line with the needs of businesses.

**RECOMMENDATION 11:**

Departments and regulators must promote a culture of regulatory compliance through their provision of sector-specific advice. Government departments and regulators that deal with businesses and the voluntary sector must set or prioritise public targets to ‘increase customer satisfaction’, against which they will be measured. Local authorities should positively consider adopting the national indicator of “satisfaction of business with local authority regulatory services” to further encourage, or enhance recognition of, improvements to the regulatory guidance they provide to businesses.

6.5 The Government has previously undertaken some good work in relation to some of its guidance and the regulations that underpin them. But few busy SMEs know about this work. Eighty nine per cent of small businesses, for instance, are not aware that the Government has set targets to reduce by a quarter the administrative burden to business of complying with government regulations.

6.6 In the course of this Review I have found some innovative practices in government guidance, either in place or under development, which businesses could benefit from. Following some interesting discussions with the Health and Safety Executive during this Review, for instance, it is developing electronic templates for risk assessments, which it plans to release in Spring 2009. These should provide an easy template for businesses to undertake themselves a basic risk assessment or Health and Safety policy statement and to satisfy their requirements under the Health and Safety at Work Act.

6.7 The Food Standards Agency has introduced a guidance manual for businesses, ‘Safer food, better business’, outlining how to comply with the regulatory requirement to have a food safety management system. Those who have used the manual consider that it helps them stay compliant with food hygiene legislation and 70 per cent consider that it can increase business effectiveness. 102

6.8 The National Audit Office (NAO) recently noted the importance of communicating changes to businesses: without adequate and effective communication, businesses may continue to comply with previous regulations or abolished information obligations, and government may not realise the savings, both for firms and itself, that it seeks to achieve. 103 I also consider it vital that the changes to guidance that Government may make, as a result of this Review and beyond, are effectively communicated to SMEs.

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103 The Administrative Burdens Reduction Programme, NAO, 2008
RECOMMENDATION 12:

The Government must allocate sufficient funds to ensure that businesses are aware of the improvements it makes to the way it delivers its guidance.

The Government should publish a progress report, to be assessed by an independent person, measuring the progress of all recommendations after one year of the publication of this Review.
The majority of small and medium sized businesses are willing to comply with their regulatory duties and have an interest in doing so. Government guidance should represent a cost-effective and efficient way for them to do so.

I have seen some instances of government guidance that serve as excellent examples for the rest of government. However, there are also many pieces of guidance which, in the way they are written and accessed, deter SMEs from using what could be an excellent resource for them.

In this Report, I recommend ways that government guidance can provide greater certainty for business. Taken together, I believe they will remove deterrents and provide active incentives for them to seek and follow guidance. In turn, I believe this will help reduce SMEs’ regulatory burden, improve their regulatory compliance and save them time and money that could be more profitably spent on developing their business.
The Anderson Review carried out a wide range of consultations with SMEs and other stakeholders through group discussion, seminars, conferences and one-to-one discussions.

Sarah Anderson and the review team are very grateful to all those who made a contribution to the Review.

The Anderson Review met a large number of SMEs under conditions of anonymity. We do not list them by name therefore, but would like to thank all the businesses who attended a range of discussion events in the following areas of the UK:

- East Anglia
- North East
- North West
- South East
- West Midlands
- Yorkshire

We would also like to thank the other businesses, organisations and people we consulted during the Review:

- Abbey Legal
- Anne Abraham, Parliamentary and Health Service Ombudsman
- Advantage West Midlands
- Advisory, Conciliation and Arbitration Service.
- Association of British Insurers
- Association of Chartered Certified Accountants
- British Chambers of Commerce
- British Embassy, Belgium
- British Embassy, France
- British Embassy, Greece
- British Embassy, Ireland
- British Embassy, Malta
- British Embassy, Poland
- British Embassy, Spain
- British Embassy, Sweden
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<td>Local Better Regulation Office</td>
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<td>Trade Union Congress</td>
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<td>Imelda Walsh, Human Resources Director, Sainsburys</td>
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